

Message Text

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ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 AGR-20 CEA-02 CIAE-00 DODE-00

FRB-03 H-03 INR-11 INT-08 L-03 LAB-06 NSAE-00 NSC-07

PA-04 RSC-01 AID-20 CIEP-03 SS-20 STR-08 TAR-02

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TAGS: ETRD, EFIN, BR

SUBJECT: PRESS REACTION TO ANNOUNCEMENT OF COUNTERVAILING DUTIES

BEGIN UNCLASSIFIED

1. SUMMARY: BRAZILIAN PRESS AND OTHER MEDIA ARE GIVEN HEAVY AND FULL COVERAGE TO THE US TREASURY ANNOUNCEMENT TO COUNTERVAIL AGAINST BRAZILIAN SHOES. COVERAGE YESTERDAY (SEPT. 12) WAS GENERALLY FACTUAL, BASED MOSTLY ON THE TREASURY PRESS RELEASE. MOST PAPERS ALSO PICKED UP THE COMMENT MADE BY THE BRAZILIAN AMBASSADOR TO THE US THAT THE DECISION WAS "UNFORTUNATE AND UNJUSTIFIED". TODAY'S PAPERS (SEPT. 13) GIVE PROMINENT PLAY TO STATEMENT ISSUED BY THE FINANCE MINISTRY AS WELL AS TO THE PRESS RELEASE ISSUED BY THE EMBASSY. THERE ARE ALSO A NUMBER OF EDITORIALS IN TODAY'S PRESS, ALL OF WHICH ARE UNFAVORABLE AND SOME OF THEM BITTER. BUT UNLIKE THE OFFICIAL AND PRESS REACTION, THE SHOE INDUSTRY, ACCORDING TO CONSUL IN PORTO ALEGRE, A SHOE MANUFACTURING CENTER, IS NOT UNHAPPY WITH THE DECISION AND DOES NOT FORESEE GREAT PROBLEMS IN LIVING WITH THE NEW

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DUTUS. END SUMMARY.

2. FIRST DAY (SEPT 12) PRESS REACTION (ALL FRONT PAGE)
WAS MOSTLY FACTUAL, ALTHOUGH THE REPORTS FAILED TO CLARIFY THAT THE TWO RATES ARE ADJUSTABLE DOWNWARD. THEY MERELY STATED THAT THE DUTIES WOULD GO UP TO 4.8 PERCENT AND 12.3 PERCENT. MOST PAPERS LIMITED THEMSELVES TO REPORTING COMMENTS BY SHOE INDUSTRY SPOKESMEN RATHER THAN EDITORIALIZING. ONE SUCH SPOKESMAN WAS REPORTED TO HAVE SAID THAT THE DECISION WAS DISCRIMINATORY AND UNJUST. ANOTHER SOURCE WAS REPORTED TO HAVE SAID THAT THE IMPLEMENTATION OF THIS DECISION COULD BRING ABOUT AN "AMERICAN INTERFERENCE IN BRAZILIAN ENTERPRISES." MOST STORIES YESTERDAY CARRIED THE COMMENT MADE BY THE BRAZILIAN AMBASSADOR IN WASHINGTON THAT THE DECISION WAS "UNFORTUNATE AND UNJUSTIFIED". MOST REPORTS ALSO NOTED THE TREASURY'S DECISION TO COUNTERVAIL ON SPANISH SHOES AND OLIVES.

3. TODAY'S PRESS (SEPT 13) GIVES PROMINENT (ALL FRONT PAGE) PLAY TO FINANCE MINISTRY STATEMENT ISSUED YESTERDAY. RELEVANT PARTS OF THE STATEMENT ARE AS FOLLOWS: "THE BRAZILIAN GOVERNMENT PROTESTS THIS DECISION, AND NOTES THAT THE US TREASURY DID NOT UNDERSTAND THAT OUR INCENTIVES ARE NOT SUBSIDIES BUT SIMPLE CONCESSIONS TO COMPENSATE FOR PARAFISCAL CHARGES WHICH ARE NOT APPLICABLE TO EXPORTS. . . . IT IS ALSO STRANGE THAT THE US, WHICH HAS ALWAYS DEFENDED FREE TRADE PRACTICES, STILL KEEPS ON ITS BOOKS A PROTECTIONIST LAW GOING BACK TO 1897, WHICH IGNORES THE BASIC RULES OF GATT. . . . AND IT SHOULD BE NOTED THE INCONSISTENCY OF THIS LAW IN A COUNTRY . . . WHICH APPLIES TO ITS EXPORTS MANY PRACTICES SIMILAR TO THOSE FOUND IN THE BRAZILIAN SYSTEM OF INCENTIVES. . . . THE BRAZILIAN GOVERNMENT WILL GIVE THE SHOE INDUSTRY ALL THE NECESSARY HELP IN ORDER TO ASSURE THE EXPANSION OF ITS PRODUCTION FOR ITS INTERNAL AND EXTERNAL MARKETS, NOTWITHSTANDING THE IMPOSITION OF COUNTERVAILING DUTIES BY THE U.S. (THE BRAZILIAN GOVERNMENT) DEEPLY DEPLORES THAT THE U.S. TREASURY HAS ADOPTED SUCH A MEASURE WHICH CAN ONLY HURT EFFORTS TO INTENSIFY COOPERATION BETWEEN THE TWO COUNTRIES ON ALL LEVELS."

4. PRESS TODAY ALSO GIVES PROMINENT PLAY TO PRESS
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RELEASE ISSUED BY THE EMBASSY (STATE 197587) AND NOTES SPECIFICALLY POINTS REGARDING CONSULTATIONS WITH GOB DURING COUNTERVAILING DUTY INVESTIGATION AND WILLINGNESS OF USG TO DISCUSS ISSUE IN GATT TRADE NEGOTIATIONS.

5. A SAMPLE OF TODAY'S EDITORIAL COMMENTS FOLLOWS:
JORNAL DO BRASIL: "THIS VICTORY FOR ECONOMIC PROTECTIONISM DEMONSTRATES ONCE AGAIN THAT THE CONCEPT OF INTERDEPENDENCE

IS ASYMMETRICAL WHEN IT COMES TO . . . INTERNATIONAL COMMERCE.
. . . IF RICH AND POWERFUL NATION, LIKE THE U.S., ADOPTS
PROTECTIONIST MEASURES, THEN INTERNATIONAL TRADE IS MOVING
TOWARD A DANGEROUS WAR. . . THE TREASURY DEPARTMENT TOOK
ADVANTAGE OF AN ESCAPE CLAUSE IN THE GATT IN ORDER TO
ESTABLISH DISCRIMINATION. . . WE WILL LOSE A PIECE
OF THE AMERICAN MARKET BUT THIS WILL NOT REDUCE THE
POSITION OF BRAZILIAN FOOTWEAR IN THE INTERNATIONAL
MARKET." O ESTADO DE SAO PAULO: "THIS DECISION HAS BEEN
TAKEN BY A COUNTRY THAT IS A CHAMPION OF PROTECTIONISM,
THROUGH A SYSTEM OF NON-TARIFF BARRIERS. . . WE CAN FEAR
THAT THIS DECISION OF THE U.S. IS ONLY ONE OF THE FIRST
MANIFESTATIONS OF A NEW POLICY OF ECONOMIC ISOLATIONISM. . ."
JORNAL DE BRASILIA: ". . . THE REASONABLE IMPORTANCE FOR
BRAZIL OF THE ANNUAL AMOUNT OF 80 MILLION DOLLARS (OF
SHOE EXPORTS) . . . PERMITS US TO ASK IF OUR ECONOMIC COMING
OF AGE HAS NO IMPORTANCE FOR OUR ALLY WITH WHICH WE HAVE
BEEN POLITICALLY ALIGNED SO CONSTANTLY AND SYSTEMATICALLY.
WE MUST ADD THAT THE SURTAX ON OUR SHOES AND OTHER UNREASONABLE
USG MEASURES IN THE AREA OF U.S.-BRAZIL TRADE ARE FORCING THE
TURNING OF A VERY IMPORTANT PAGE IN THE TWO COUNTRIES' RELATIONS."

6. CONSULATE PORTO ALEGRE, A SHOE PRODUCING CENTER, REPORTED
THAT THE RIO GRANDE DO SUL SHOE MANUFACTURERS ARE PLEASED WITH
THE ANNOUNCED COUNTERVAILING DUTIES ON SHOES, ONE SOURCE
COMMENTING THAT THE U.S. ACTED WITH "GREAT JUDGMENT" IN ITS
DECISION AND ESTIMATING THAT THIS ACTION MIGHT EVEN PROVE TO BE
AN INCENTIVE TO ADDITIONAL PRODUCTION AND EXPORTATION.
COMMENTED ANOTHER INDUSTRY LEADER: "WE MANUFACTURERS SHOULD
BE CONGRATULATED. THE SOAP OPERA IS OVER AND EVERYTHING IS
O.K. IN SHOE VALLEY". END UNCLASSIFIED

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7. COMMENT: GIVEN THE EMOTIONS WHICH ISSUE OF THIS KIND
AROUSES, THE REACTION TO THE COUNTERVAILING DUTY ANNOUNCEMENT
HAS SO FAR BEEN ABOUT AS EXPECTED. FULL REPORTING OF EMBASSY
PRESS RELEASE PROVIDED RELATIVELY BALANCED COVERAGE IN NEWS
COLUMNS BUT WAS NOT REFLECTED IN NEGATIVE EDITORIALS IN
MAJOR PAPERS.
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